

SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 16-157

Organization: Chicago Mercantile Exchange Inc. ("CME")

Filing as a: **DCM** **SEF** **DCO** **SDR**

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 05/19/2016 **Filing Description:** Reduction of the Block Trade Minimum Quantity Threshold Level for the E-mini Nifty 50 Index Futures and USD Denominated Ibovespa Futures Contracts

SPECIFY FILING TYPE

Please note only ONE choice allowed per Submission.

Organization Rules and Rule Amendments

- | | | |
|-------------------------------------|-------------------------------------|------------|
| <input checked="" type="checkbox"/> | Certification | § 40.6(a) |
| <input type="checkbox"/> | Approval | § 40.5(a) |
| <input type="checkbox"/> | Notification | § 40.6(d) |
| <input type="checkbox"/> | Advance Notice of SIDCO Rule Change | § 40.10(a) |
| <input type="checkbox"/> | SIDCO Emergency Rule Change | § 40.10(h) |

Rule Numbers: 526

New Product

Please note only ONE product per Submission.

- | | | |
|--------------------------|---------------------------------------|------------|
| <input type="checkbox"/> | Certification | § 40.2(a) |
| <input type="checkbox"/> | Certification Security Futures | § 41.23(a) |
| <input type="checkbox"/> | Certification Swap Class | § 40.2(d) |
| <input type="checkbox"/> | Approval | § 40.3(a) |
| <input type="checkbox"/> | Approval Security Futures | § 41.23(b) |
| <input type="checkbox"/> | Novel Derivative Product Notification | § 40.12(a) |
| <input type="checkbox"/> | Swap Submission | § 39.5 |

Product Terms and Conditions (product related Rules and Rule Amendments)

- | | | |
|--------------------------|---|----------------------|
| <input type="checkbox"/> | Certification | § 40.6(a) |
| <input type="checkbox"/> | Certification Made Available to Trade Determination | § 40.6(a) |
| <input type="checkbox"/> | Certification Security Futures | § 41.24(a) |
| <input type="checkbox"/> | Delisting (No Open Interest) | § 40.6(a) |
| <input type="checkbox"/> | Approval | § 40.5(a) |
| <input type="checkbox"/> | Approval Made Available to Trade Determination | § 40.5(a) |
| <input type="checkbox"/> | Approval Security Futures | § 41.24(c) |
| <input type="checkbox"/> | Approval Amendments to enumerated agricultural products | § 40.4(a), § 40.5(a) |
| <input type="checkbox"/> | "Non-Material Agricultural Rule Change" | § 40.4(b)(5) |
| <input type="checkbox"/> | Notification | § 40.6(d) |

Official Name(s) of Product(s) Affected:

Rule Numbers:

May 19, 2016

VIA ELECTRONIC PORTAL

Mr. Christopher J. Kirkpatrick
 Office of the Secretariat
 Commodity Futures Trading Commission
 Three Lafayette Centre
 1155 21st Street, N.W.
 Washington, D.C. 20581

Re: CFTC Regulation 40.6(a) Certification. Notification Regarding the Reduction of the Block Trade Minimum Quantity Threshold Level for the E-mini Nifty 50 Index Futures and USD Denominated Ibovespa Futures Contracts. CME Submission No. 16-157

Dear Mr. Kirkpatrick:

Chicago Mercantile Exchange Inc. (“CME” or “Exchange”) is notifying the Commodity Futures Trading Commission (“CFTC” or “Commission”) that it is self-certifying a reduction of the block trade minimum threshold level for the E-mini Nifty 50 Index Futures (CME Rulebook Chapter 382; CME ClearPort: II; CME Globex: II) and USD Denominated Ibovespa Futures (Rulebook Chapter 354; CME ClearPort: IBV; CME Globex: IBV) contracts (“the Contracts”), effective on Sunday, June 5, 2016 for trade date Monday, June 6, 2016 as set forth in Table 1 below.

Table 1.

Contract Title	Block Trade Minimum Quantity Threshold Level	
	Current	Effective on June 6, 2016
<i>E-mini Nifty 50 Index Futures</i>	250	50
<i>USD Denominated Ibovespa Futures</i>	50	20

Three bases of evidence prompt this recommendation: (i) proportionality of current block trade standards vis-à-vis prevailing levels of trading activity, (ii) scale of the respective CME Globex central limit order books, and (iii) expressions of interest on the part of prospective users of the Contracts.

Trading Activity

Table 2. compares current and proposed block trade standards and average daily volume (ADV) for MNF and IBV futures with the standards applicable to CME S&P Select Sector Stock Index (Select Sector) futures – a recent product offering for which the liquidity pool is still in its developmental stage – and Nikkei Stock Average (NIY) futures – which exemplify an established product with a thriving liquidity pool.

Table 2. Comparison of Notional Ratio Sizes for Equity Futures

	CME Globex ADV (2016 Q1)	Current Minimum Block Trade Size		Minimum Block Trade Size effective on June 6, 2016	
		Contracts	As Pct of CME Globex ADV	Contracts	As Pct of CME Globex ADV
E-mini Nifty 50 Index Futures	408	250	61.3	50	12.3
USD Denominated Ibovespa Futures	25	50	198.6	20	79.4
S&P Select Sectors	3,096	50	1.6	50	1.6
Nikkei Stock Average Futures	99,470	50	0.1	50	0.1

Current minimum block trade sizes are significantly higher in proportion to average daily volumes for both MNF and IBV (61% and 199% respectively) than for either Select Sector futures or NIY futures (1.6% and 0.1% respectively). The recommended action would better align the block trade standards applicable to MNF and IBV futures with the proportions found in block trade standards that apply to other equity futures products.

Central Limit Order Book

As illustrated in Table 3, current minimum block trade sizes for the Contracts are outsized in comparison to the respective central limit order books. Viewed from this vantage, the recommended block trade standards would remain conservative, in the sense that block trades would be required to be large enough not to impinge upon, nor to undermine, the Contracts central limit order book markets. That is, a CME Globex aggressor order sized equal to either of the recommended minimum block trade sizes would outstrip the typical combined mass of resting orders at all price levels by a factor of 2x in the case of IBV, and by a factor of 5x in the case of E-mini Nifty 50 Index futures contract. For this reason, among others, we do not anticipate that the recommended action will cause concerns among liquidity providers in the Contracts.

Table 3. CME Globex Order Books for MNF and IBV Futures – Average Number of Contracts Bid or Offered at All Price Levels

(2016 Q1)	Median (contracts)	Average (contracts)	Current Block Threshold (contracts)	Block Threshold effective on June 6, 2016 (contracts)
E-mini Nifty 50 Index Futures	10.0	10.1	250	50
USD Denominated Ibovespa Futures	8.2	8.3	50	20

User Interest

The Exchange has been approached by multiple buy-side entities interested in the USD Denominated Ibovespa futures contract but who cite lack of on-screen liquidity and an excessive minimum size requirement for block trades as deterrents to trading. Similar prohibitions are thought to impede growth of the liquidity pool that supports the E-mini Nifty 50 Index futures contract. Reducing the minimum block size for the Contracts would entice buy-side participants to use our bilateral block mechanism for product access, which ideally would lead to increased central limit order book activity as such participants look to adjust or hedge their positions.

The Exchange reviewed the designated contract market core principles (“Core Principles”) as set forth in the Commodity Exchange Act (“CEA” or “Act”) and identified that the rule amendments may have some bearing on the following Core Principles:

- **Availability of General Information**

The Exchange shall publish on its website information in regard to futures contract specifications, terms, and conditions, as well as daily trading volume, open interest, and price information. In addition, the Exchange will publish a Special Executive Report (“SER”) regarding this matter. The SER will be posted on the CME Group website.

- **Execution of Transactions**

Core Principle 9 permits a designated contract market to authorize for bona fide business purposes transactions executed away from the designated contract market’s centralized marketplace, and the Exchange has established block levels in a wide array of futures and options products for quite some time. This modification will serve solely to align the block threshold levels of the TN contract to the rest of the Treasury Futures complex.

Pursuant to Section 5c(c) of the Act and CFTC Regulation 40.6(a), the Exchange hereby certifies that the block trade minimum threshold of the Contracts complies with the Act, including regulations under the Act. There were no substantive opposing views to this proposal.

The Exchange certifies that this submission has been concurrently posted on the Exchange’s website at <http://www.cmegroup.com/market-regulation/rule-filings.html>.

Should you have any questions concerning the above, please contact the undersigned at (212) 299-2200 or CMEGSubmissionInquiry@cmegroup.com.

Sincerely,

/s/Christopher Bowen
Managing Director and Chief Regulatory Counsel